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STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

May 8, 2015

VIA FEDEX AND ELECTRONIC FILING

Mr. Alva Lambert
Executive Director
State Health Planning and Development Agency
100 North Union Street
RSA Union Building
Suite 870
Montgomery, AL 36130-3025

RE: Change of Ownership – Mobile Bay Rehabilitation Hospital Inpatient Rehabilitation Facility Beds (Attachment to Change of Ownership form)

Dear Mr. Lambert:

We respectfully submit to the State Health Planning and Development Agency (“SHPDA”) this letter as an attachment to the Notice of Change of Ownership form that we are filing pursuant to Chapter 410-1-7-.04, Rules and Regulations of the Alabama Certificate of Need Program (the “Rules”). The proposed change of ownership involves twenty-five (25) inpatient rehabilitation facility beds (the “Beds”) owned by 101 Villa Drive, LLC (“Seller”) in Baldwin County, Alabama. The following summarizes the transaction proposed to take place on or about June 1, 2015, and addresses SHPDA requirements for a change of ownership.

A. Facts

The Beds have been in operation as inpatient physical rehabilitation beds with SHPDA’s approval since 1984 and were originally owned and operated by Mercy Medical (formerly Villa Mercy). In 2011 Seller purchased the Beds from Mercy Medical. SHPDA approved the change of ownership of the Beds from Mercy Medical to Seller (CO2011-050) in a letter from Executive Director Alva Lambert dated September 28, 2011. In a simultaneous transaction, the Beds were leased by MBRH, LLC, who was the licensed operator of the Beds as part of Mobile Bay Rehabilitation Hospital, a twenty-five (25) bed inpatient rehabilitation facility located in Daphne, Alabama.

In this transaction proposed to take place on or after June 1, 2015, Foley Hospital Corporation d/b/a South Baldwin Regional Medical Center (“South Baldwin”) will purchase the Beds from Seller for an amount the parties have determined to be fair market value. After the close of this proposed transaction, South Baldwin will file a certificate of need (CON) application to relocate the beds to a new location in Baldwin County and put them into operation as a department of the hospital.

B. SHPDA Requirements for Change of Ownership

In answer to the specific questions posed in the Change of Ownership Application, please note the following:

1. The Financial Scope of the Project. The financial scope of the project will encompass the fair market value payment that South Baldwin will make to Seller as consideration for the purchase of the Beds. Before the Beds will become operational, South Baldwin will file a CON application for the relocation of the Beds. The CON application will seek permission from the agency for any additional costs related to the Bed relocation project.

2. Services to be Offered. South Baldwin does not currently operate any inpatient rehabilitation beds; therefore inpatient rehabilitation beds will be a new service for the hospital. By filing this Change of Ownership Application, South Baldwin seeks authority only to purchase the Beds. After the close of the contemplated transaction, South Baldwin will apply for a CON to relocate the beds and to begin offering inpatient rehabilitation services as a department of the hospital.

3. Whether the Proposal will Include the Addition of Any New Beds. The contemplated transaction will result in the relocation of 25 inpatient physical rehabilitation beds from Mobile Bay Rehabilitation Hospital to South Baldwin, both of which are within the same planning area for inpatient rehabilitation beds. However, this Change of Ownership Application seeks approval only to change the ownership of the Beds. After the close of the contemplated transaction, South Baldwin will apply for a CON to relocate the beds and to offer inpatient rehabilitation services.

4. Whether the Proposal will Involve the Conversion of Beds. The contemplated transaction will not result in the conversion of beds.

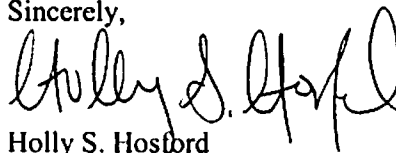
5. Whether the Assets and Stock (if any) will be acquired. The contemplated transaction involves only the sale of beds. No other assets and no stock will be acquired as part of the contemplated transaction.

III. Requested Action

Based upon the above description of the proposed transaction, we respectfully request that you exercise your authority under Chapter 410-1-7-.04(2) of the Rules and determine that a CON is not required for the consummation of the proposed change of ownership. Upon the closing of the proposed transaction South Baldwin will seek a CON for the relocation of the Beds and offering of inpatient rehabilitation services. In accordance with the SHPDA Rules, I am enclosing with this request a check in the amount of \$2,500 made payable to the Alabama State Health Planning and Development Agency.

Should you have any questions or need further information, please feel free to contact me at the number or address listed above. Thank you in advance for your assistance with this matter.

Sincerely,



Holly S. Hosford

Enclosures

CHANGE OF OWNERSHIP

Part I: Purchasing Organization Information

Name of Organization: Foley Hospital Corporation d/b/a South Baldwin Regional Medical Center

Address (PO Box #): 1613 N. McKenzie Street

City, State, Zip, County: Foley, Alabama 36535, Baldwin County

Number/Type Licensed Beds: 112 acute care beds

Owner(s): Foley Hospital Corporation is a wholly-owned subsidiary of Community Health Investment Company, LLC, which is a wholly-owned subsidiary of CHS/Community Health Systems, Inc.

Operator(s): Foley Hospital Corporation; CHSPSC, LLC

Part II: Selling Organization Information

Name of Organization: 101 Villa Drive, LLC

Facility Name: Mobile Bay Rehabilitation Hospital

Address (PO Box #): 2071 Flatbush Avenue

City, State, Zip, County: Brooklyn, NY 11234, Kings County

Number/Type Licensed Beds: N/A

Owner(s): 101 Villa Drive, LLC

Operator(s): MBRH, LLC

Part III: Value of Consideration

Monetary Value of Purchase: Please see attached letter No./Type Beds: 25/Hospital Inpatient Rehabilitation Facility

Terms of Purchase: Please see attached letter.
(add more pages as necessary to describe the sale)

Part IV: List of Certificate of Need Authority

Number of Beds: 25

Types of Institutional Health Services: Inpatient Rehabilitation Services

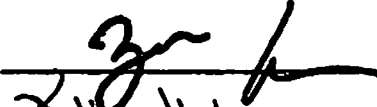
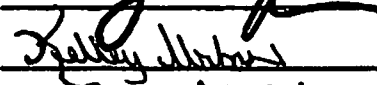
List Service Area by County for Home Health Agencies: N/A

On an Attached Sheet Please Address the Following:

- *1.) The financial scope of the project to include the preliminary estimate of costs broken down by equipment, construction, and yearly operating costs.
- *2.) The services to be offered by the proposal (the applicant will state whether he has previously offered the service and whether the service is an extension of a presently offered service, or whether the service is a new service).
- *3.) Whether the proposal will include the addition of any new beds.
- *4.) Whether the proposal will involve the conversion of beds.
- *5.) Whether the assets and stock (if any) will be acquired.

Part V: Certification of Information

I certify that I agree to provide the information necessary (financial, utilization of services and beds, etc.) so the new owner can have the necessary information to complete reports as necessary for the entire fiscal year. The purchaser has agreed to these terms,

Seller(s) Signature(s):
 Owner(s):  Zein Kohn
 Operator(s):  Kelley Urban
 Title/Date: CFO - Administrator 5/7/2015

I certify that I will be responsible for retaining records as necessary to complete reports required for the entire fiscal year, and agree to these terms. I have enclosed a check in the amount of \$2,500 made payable to 'Alabama State Health Planning and Development Agency' to cover the cost of the change of ownership.

YES NO The above Purchaser and Seller have agreed to these purchase terms.

Purchaser Signature: Keith Newton

Title/Date: Chief Executive Officer _____

List Service Area by County for Home Health Agencies: N/A

On an Attached Sheet Please Address the Following:

- *1.) The financial scope of the project to include the preliminary estimate of costs broken down by equipment, construction, and yearly operating costs.
- *2.) The services to be offered by the proposal (the applicant will state whether he has previously offered the service and whether the service is an extension of a presently offered service, or whether the service is a new service).
- *3.) Whether the proposal will include the addition of any new beds.
- *4.) Whether the proposal will involve the conversion of beds.
- *5.) Whether the assets and stock (if any) will be acquired.

Part V: Certification of Information

I certify that I agree to provide the information necessary (financial, utilization of services and beds, etc.) so the new owner can have the necessary information to complete reports as necessary for the entire fiscal year. The purchaser has agreed to these terms,

Seller(s) Signature(s):

Owner(s): _____

Operator(s): Riley Hobbs _____

Title/Date: Administrator 5.07.15 _____

I certify that I will be responsible for retaining records as necessary to complete reports required for the entire fiscal year, and agree to these terms. I have enclosed a check in the amount of \$2,500 made payable to 'Alabama State Health Planning and Development Agency' to cover the cost of the change of ownership.

YES NO The above Purchaser and Seller have agreed to these purchase terms.

Purchaser Signature: Keith Newton

Title/Date: Chief Executive Officer Keith Newton 5/8/2015